|  |
| --- |
| **Consultation document for Fairtrade Stakeholders:**Review of the Fairtrade Standard for Cocoa  |
| Consultation Period | 16.11..2016 – 15.01.2017 |
| Project Manager | Fabienne Yver, Project Manager, Standards, f.yver-external@fairtrade.net / standards-pricing@fairtrade.net |

# PART 1: Introduction

1. General Introduction

Fairtrade Standards support the sustainable development of small-scale producers and workers in the Global South. Producers and traders must meet applicable Fairtrade Standards for their products to be certified as Fairtrade. Within Fairtrade International, Standard & Pricing (S&P) is responsible for developing Fairtrade Standards. The procedure followed, as outlined in the Standard Operating Procedure for the Development of Fairtrade Standards is designed in compliance with all requirements of the ISEAL Code of Good Practice for Setting Social and Environmental Standards. This involves wide consultation with stakeholders to ensure that new and revised standards reflect Fairtrade International’s strategic objectives, are based on producers’ and traders’ realities and meet consumers’ expectations.

You are kindly invited to participate in this consultation reviewing the Fairtrade Standard for Cocoa for small producers and traders. For this purpose, we kindly ask you to comment on the proposals suggested in this document and encourage you to give explanations, analysis and examples underlying your statements.

Confidentiality: Please note that **all information we receive from respondents will be treated with care and kept confidential.**

**Please submit your comments to the Project Manager, Fabienne Yver at: standards-pricing@fairtrade.net by 15-01-2017.** If you have any questions regarding the draft standard or the consultation process, please contact the Project Manager by email.

Following the consultation round we will prepare a paper compiling the comments made, in an aggregate and anonymous form, which will be emailed to all participants and also be available on our Fairtrade International website. Next steps of the project are presented below in section 1.4.

1. Background

|  |  |
| --- | --- |
| Fairtrade Cocoa has grown to become one of the top three Fairtrade products, with about 200 000 Fairtrade farmers and Fairtrade cocoa sales of more than 100 000 MT in 2015. In 2016, the Cocoa Standard is due for a full review as part of the monitoring and review cycle. This is the opportunity to revise the Cocoa Standard in line with the Global Cocoa Strategy, which emphasizes delivering greater impact for producers by enabling Small Producer Organizations (SPOs) to strengthen their role in delivering economic and social benefits to smallholder farmers. This aligns to Goal 3 of Fairtrade’s Theory of Change where SPOs foster sustainable livelihoods amongst small producers by enabling improvements in income, decent working conditions, improved living conditions and sustainable ecosystems. Farm performance is a critical element in realising improved incomes. Therefore this review of the Cocoa Standard explores ways to strengthen cocoa SPOs’ capacity to better meet their smallholder farmer members’ needs, including member support for sustainable farm productivity improvements.

|  |
| --- |
| Regarding traceability, the goal is to ensure greater simplicity, clarity and transparency in order to ensure better and easier controls of Fairtrade transactions. 1. Objectives

This consultation supports the objectives of the cocoa standard review, as follows: 1. Explore ways to strengthen the capacity of cocoa SPOs so that they can better manage their SPOs, providing clear benefits for their members and their commercial partners[[1]](#footnote-1).
2. Explore ways to promote productivity improvements.
3. Review the trade requirements of the Cocoa Standard, to align with the revised Trader Standard (TS) and adapt to the specific context of cocoa, if needed.
4. Improve Fairtrade cocoa mass balance and group mass balance requirements for greater transparency and clarity.
5. Improve clarity and ensure consistency throughout the standard and apply the new design for standards.
 |

 The target groups of this consultation are:* Cocoa producers already certified or interested in becoming certified under the Fairtrade Standard for Cocoa.
* Licensees and traders certified or interested in becoming certified under the Fairtrade Trader Standard and the Fairtrade Standard for Cocoa.
* Producer Networks, National Fairtrade Organisations, Fairtrade International, FLOCERT, public sector and civil society actors researchers, and other stakeholders.
 |

1. Project and Process Information

The project started in April 2016 and was revised in October 2016. The [project assignment](http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/2016-09-26_PA_cocoa_standard_review.pdf) is available on the Fairtrade International website here:

<http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/2016-09-26_PA_cocoa_standard_review.pdf>

The current Fairtrade Standard for Cocoa is also available on the Fairtrade International website, under this link:

<http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/generic-standards/Cocoa_SPO_EN.pdf>.

The Fairtrade SPO Standard is available here:

<http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/SPO_EN.pdf>

The Fairtrade Trade Standard can be consulted here:

<http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/generic-standards/TS_EN.pdf>

The progress to date and next steps are described below:

|  |  |  |
| --- | --- | --- |
|  | **Timeline** | **Activity**  |
| **2016** | Apr -Sept. 2016 | * Planning and research
 |
| Sept. – Oct. 2016 | * Preparation of proposals
 |
| Mid Nov. 2016 – mid. Jan. 2017 | * Consultation
 |
| **2017** | Jan. - Feb. 2017 | * Analysis of feedback and preparation of final proposal
 |
| Feb. 2017 | * Presentation to Standards Committee for approval
 |
| End March 2017 | * Publication of revised Standard
 |

1. Acronyms and definitions

B2B: Business to Business

ERP: Enterprise Resource Planning

FMP: Fairtrade Minimum Price

FIP: Farm Improvement Plan

FP: Fairtrade Premium

GAP: Good Agricultural Practices

GMB: Group Mass Balance

GPM: Global Product Management

IMS: Internal Management System

MB: Mass Balance

NFO: National Fairtrade Organisation

PN: Producer Network

SC: Standards Committee

S&P: Standards &Pricing

**PART 2: Draft Standard Consultation**

This consultation is divided into the following sections:

[0. Information about your organization 5](#_Toc466469552)

[1. SPO Management Systems 6](#_Toc466469553)

[1.1. Basic Internal Management System (IMS) to manage compliance 6](#_Toc466469554)

[1.2. Member Agreements 7](#_Toc466469555)

[1.3. Farm Assessment 7](#_Toc466469556)

[1.4. Community needs assessment 8](#_Toc466469557)

[1.5. Training and Support Activities 9](#_Toc466469558)

[1.6. Farm Improvement Plan 10](#_Toc466469559)

[2. Productivity: 10](#_Toc466469560)

[3. Premium Investment 11](#_Toc466469561)

[4. Third Party Service Provision 12](#_Toc466469562)

[5. Trade requirements: 13](#_Toc466469563)

[5.1. Pre-finance: 13](#_Toc466469564)

[5.2. Sourcing plans: 13](#_Toc466469565)

[5.3. Other trade requirements: 13](#_Toc466469566)

[6. Mass balance : 14](#_Toc466469567)

[6.1. Conversion ratios: 14](#_Toc466469568)

[6.2. Like for like 15](#_Toc466469569)

[6.3. B2B Transparency on mass balance 16](#_Toc466469570)

[6.4. Group mass balance 17](#_Toc466469571)

[6.5. Sale of multi-certified cocoa 18](#_Toc466469572)

[7. Stakeholders’ Comments/ General stakeholder feedback on the cocoa standard 18](#_Toc466469573)

Each section first introduces the background information to the specific issue. Where relevant the proposed changes to the standard are then presented and then you are asked for your opinions and feedback.

**Please take as much space as you need to respond to the questions and provide as much as possible your rationale for your responses and any other comments you may have on the proposals, or suggest alternative proposals.**

1. Information about your organization

Please complete the information below:

|  |
| --- |
| **Q 0.1** **Please provide us with information about your organization so that we can analyse the data precisely and contact you for clarifications if needed. The results of the survey will only be presented in an aggregated form and all respondents’ information will be kept confidential.**Name of your organisation           Click here to enter text.Name of contact person      Click here to enter text.Email of contact person           Click here to enter text.Country      Click here to enter text.FLO ID Click here to enter text. |
|  **Q 0.2 What is your responsibility in the supply chain? Please tick all applicable boxes**[ ]  Producer 1st grade [ ]  Producer 2nd or 3rd grade[ ]  Exporter[ ]  Importer[ ]  Processor[ ]  Licensee[ ]  Fairtrade system staff (Fairtrade International, NFO, PN or FLOCERT staff)[ ]  Other (please specify)Click here to enter text. |
| **Q 0.3. Regarding traceability, do you trade Fairtrade cocoa under: (please tick all relevant boxes)** [ ]  physical traceability [ ]  single site mass balance [ ]  group mass balance [ ]  not applicable |

1. SPO Management Systems

Farm performance is a critical element to realise improved income for smallholder farmers. SPOs should be encouraged and supported to work together with their farmer members to improve the economic viability and environmental sustainability of their farms. To achieve that, it is important that SPOs have adequate Management Systems in place, not only to:

1. Maintain up to date information on members
2. Check SPO and member compliance with the requirements of the SPO Production chapter
3. Manage SPO flow of certified goods

but also to:

1. Identify member training and support needs
2. Plan and implement training and other services
3. Monitor report and improve on progress and achievements

The existing SPO Standard does not include specific requirements on management systems, but it expects all SPOs “to find the best means to guarantee their members’ continuous compliance”. Only 2nd and 3rd grade SPOs “must implement an Internal Control System (ICS) on the 2nd/3rd grade level which enables them to control compliance with Fairtrade requirements on all levels of the organization”.

Many SPOs have set-up their own management systems, especially SPOs with organic certification, but others do not have formal systems in place, and this affects their ability to respond to their member needs, and also affects their credibility towards their buyers.

The proposal is therefore to include a section in the Cocoa Standard to formalize the set-up and implementation of systems to ensure the SPOs’ and their members’ compliance with the Fairtrade Standards, but also to go further into defining tools to deliver effective services to their members, by introducing needs assessment, training plans and farm improvement plans, as part of a wider Internal Management System (IMS) [[2]](#footnote-2).

 The goal is to ensure SPOs have effective tools in place that support their common mission to delivery economic and social benefits to smallholder farmers, and also to make them attractive business partners in order to maximise their Fairtrade sales.

* 1. Basic Internal Management System (IMS) to manage compliance

The proposal is to require that:

*All Cocoa SPOs (including 1st grade) must implement at least a basic Internal Management System (IMS), which includes the following basic elements .*

(Please note that this proposal is based upon the current ICS Year 3 Development Requirement (3.1.5) for 2nd and/or 3rd grade organizations in the SPO standard).

1. *Management structure: a documented description of the IMS, a documented management structure, one designated person responsible for the IMS[[3]](#footnote-3)*
2. *Member information, including: name, contact information, gender, date of birth, farm location, production[[4]](#footnote-4), and all information related to inspection and training*

*3. Compliance management: internal rules to ensure compliance, identified internal inspectors, training of the internal inspectors, annual inspections and reports, use of internal sanctions, risk assessment of non-compliance with the Fairtrade Standards and of threats to the effectiveness of the IMS*

1. *Flow of goods management: measures to comply with traceability requirements.*

*Guidance: SPOs are encouraged to leverage other management systems their organization may already have in place including those which support other certification schemes.*

|  |
| --- |
| **Q 1.1.1. Do you agree that all cocoa SPOs should implement an IMS as described above, as a Core requirement Year 0?** [ ] Yes [ ] Yes, partially [ ]  No [ ]  I am unsure**Please explain your rationale**Click here to enter text. |

* 1. Member Agreements

To ensure mutual accountability for both parties, clarity on SPO services for their members, and member loyalty to the SPO, it is important to formalize the relationship between the SPO and their individual members. The proposal is to include member agreements in the IMS as follows:

*The SPO and each individual member signs or marks an agreement which specifies the rights and obligations of each party.*

|  |
| --- |
| **Q 1.2.1.Do you agree that each individual member should sign / mark an agreement with their SPO which specifies the rights and obligations of each party, as a core requirement year 0?** [ ] Yes [ ] Yes, partially [ ]  No [ ]  I am unsure**Please explain your rationale**Click here to enter text. |

* 1. Farm Assessment

To ensure effective service delivery to farmers, SPOs must understand the needs of their members. The SPO standard currently already requires an assessment of the risks of member non-compliance with the production chapter of the SPO Standard (3.1.2). However, there is currently no specific requirement to assess the technical needs of members on farms beyond compliance with Fairtrade production standards.

We propose to add the following requirement in the cocoa Standard, as a Core requirement:

*SPOs must carry out, record, regularly review and update farm assessments to identify member needs regarding farm performance improvements. The assessment should include at least the following:*

* 1. *Farmer & Household Information: farmer name, contact information, gender, date of birth, household composition (number of members, DOB, gender)*
	2. *Farm Information: land tenure (owner or sharecropper), farm location, distance to forest land, protected areas, areas with high conservation value ,*
	3. *Farm Production Area: # of plots/total farm size, area cultivated with cocoa*
	4. *Total Cocoa Production: the two previous years’ harvest, current year’s estimate,*
	5. *Farm Income: cocoa income, other farm income*
	6. *Farm Observations: planting density, tree age, presence/risk of any debilitating disease, access to/use of planting material, shade management, soil condition/fertility, levels of pruning and weeding practiced , integrated pest management adopted (including safety measures), access to/effective use of fertilizer, sustainable use of organic waste, adoption of agroforestry*
	7. *Labour used: family and hired (temporary & permanent), number, DOB/age, gender, estimated days worked*

*Guidance: SPOs are expected to start this process and define a plan that aims at completing the assessment for all member farms over a period of time, and to regularly review progress against this plan.*

|  |
| --- |
| **Q 1.3.1. Do you agree that all SPOs should carry out farm assessments to identify their member needs, as a Core requirement year 1, but in a progressive approach to reach all farms?** [ ] Yes [ ] Yes, partially [ ]  No [ ]  I am unsure**Please explain your rationale**Click here to enter text.**Q 1.3.2. Do you agree that the assessment data listed above is adequate to conduct an appropriate farm assessment?**[ ] Yes [ ] No [ ] I am unsure**Please explain your rationale**Click here to enter text.**Q 1.3.3. Do you have any other comment (anything missing, unnecessary, too difficult to collect)?**Click here to enter text. |

* 1. Community needs assessment

It is also important to have an assessment of the community needs, in order for SPOs to assess their context and undertake activities, such as the Fairtrade Development plan, with a consideration of community needs.(Currently, the SPO Standard includes a Year 6 development requirement about the implementation of a process that collects and analyzes the development needs in the organization to include in the Fairtrade Development Plan based upon member consultation (4.1.10). However, there is currently no core requirement to specifically assess the community needs of members apart from when there is high likelihood for child labour as defined by ILO Convention 138 (Minimum Age) and ILO Convention 182 (Worst Forms of Child Labour) (3.3.7).) We therefore propose to introduce in the Cocoa Standard a requirement similar to 4.1.10, but as a Core requirement and to focus specifically on community member needs:

*SPOs must carry out, record, regularly review and update an assessment of members’ community needs to help monitor the success or shortcomings of the Fairtrade Development Plan and to guide future organizational planning.*

*Guidance: SPOs are encouraged to use any existing community needs assessments and action plans already being implemented. They are expected to start the process and define a plan that aims at completing the assessment for all member communities over a period of time, and to regularly review progress against this plan.*

|  |
| --- |
| **Q 1.4.1. Do you agree that SPOs should carry out, record, regularly review and update an assessment of members’ community needs, as a Core requirement year 3, with a progressive approach to complete it for all communities?** [ ] Yes [ ] Yes, partially [ ]  No [ ]  I am unsure**Please explain your rationale**Click here to enter text. |

* 1. Training and Support Activities

The SPO Standard requires that organizations conduct a number of trainings and awareness raising activities focused on production practices (Chapter 3) and farmer organization principles (Chapter 4). In addition, the results of the farmer and community needs assessment will lead to the identification of further training and support needs.

The proposal is to require a structured way to respond to these needs by way of a regularly reviewed and updated training and support plan, as part of the IMS.

*SPOs must develop, implement and regularly adapt a plan for training and other support activities[[5]](#footnote-5) based on:*

* + *the risk assessment of members complying with the Fairtrade Standard (see current Standard requirement 3.1.2)*
	+ *member needs identified through the farm assessment (see above section 1.3.)*
	+ *members’ community needs (see above section 1.4.)*
	+ *results of previous trainings including adoption rates for improved practices.*

|  |
| --- |
|  **Q 1.5.1. Do you agree that SPOs should develop, implement and regularly adapt a plan for training and other support activities, as a Core requirement year 1?** [ ] Yes [ ] Yes, partially [ ]  No [ ]  I am unsure**Please explain your rationale**Click here to enter text. |

* 1. Farm Improvement Plan

Based on the farmer needs assessment, SPOs should be encouraged and supported to work together with their farmer members to improve the economic and environmental viability and hereby the sustainability of their farms. The proposal is to promote the implementation of a Farm Improvement Plan with individual members to respond to the needs and priorities identified.

The Farm Improvement Plan would be part of the IMS. As the implementation of this activity would take some time to develop for all farms we suggest introducing it as a core requirement, with a transition period to complete for all farms.

*SPOs develop, agree and regularly review and update farm improvement plans with individual members so as to increase the economic viability of the member’s farm in a sustainable way and to support farmers in determining and achieving their optimal cocoa productivity. Findings and updates from the farm assessment and the risk assessment for complying with the Fairtrade Production Chapter should be discussed with the member and the resulting agreed actions built into the Farm Improvement Plan.*

*Guidance: Farm Improvement Plan includes farmer tailored recommendations and planned interventions over multiple years which could include areas such as increased adoption of Good Agricultural Practices and agroforestry techniques (such as use of shade trees), soil fertility management including fertilizer application, access to inputs and finance and income diversification.*

*SPOs are encouraged to leverage existing farm improvement plans that SPO members may already have in place whenever possible*

|  |
| --- |
| **Q 1.6.1. Do you agree to require SPOs to develop and implement Farm Improvement Plans, as a core requirement year 3, with a progressive approach to complete for all farms over time?** [ ] Yes [ ] Yes, partially [ ]  No [ ]  I am unsure**Please explain your rationale**Click here to enter text. |

1. Productivity

One of the key elements to improving farmers’ livelihoods is the improvement of the quality and productivity of their cocoa crop.

Our proposal is to promote productivity and quality improvements via the introduction of IMS: the introduction of effective IMS tools including the farm assessments, training plans and farm improvement plans will lead to improved productivity, as the SPO training and support services will be specifically targeted to member needs. This approach has the benefit of being very focused on farmer needs and not too prescriptive which allows for adaptation depending on the individual circumstances.

In addition, we propose to maintain the current Fairtrade Standard for Cocoa, which requires the following of SPOs:

*When planning for the Fairtrade Development Plan, you must discuss if investing the Fairtrade Premium in activities that increase quality and productivity would help your members to have more secure incomes. You are encouraged to use at least 25% of the value of the Fairtrade Premium for productivity and quality improvement activities.*

We would like to assess if this requirement has been effective, and whether anything else should be added to the Cocoa Standard to further promote quality and productivity improvements.

|  |
| --- |
| **Q 2.1.1. Has the existing requirement “***When planning for the Fairtrade Development Plan, you must discuss if investing the Fairtrade Premium in activities that increase quality and productivity would help your members to have more secure incomes. You are encouraged to use at least 25% of the value of the Fairtrade Premium for productivity and quality improvement activities.”* **been useful in encouraging SPOs to invest more in effective quality and productivity improvements?** [ ]  Yes [ ]  No [ ]  I am unsure**Please explain your rationale** Click here to enter text.**Q 2.1.2. Do you agree that** **the introduction of requirements on IMS is an effective way to improve productivity and quality?** [ ]  yes [ ]  No [ ]  I am unsure**Please explain your rationale** Click here to enter text.**Q.2.1.3. Do you have any other suggestions to promote investments into productivity and quality improvements?**[ ]  yes [ ]  No **If yes, please specify what and explain your rationale:** Click here to enter text.  |

1. Premium Investment

Currently, the Fairtrade Standards do not prescribe how the Fairtrade premium should be invested. It is up to the SPO to decide in their General Assembly (GA), in line with Fairtrade’s principle of empowerment.

The Fairtrade premium use should be in line with farmers’ needs and priorities. The introduction of an IMS for all SPOs as proposed in this review should enable SPOs to better assess their member and community needs and plan their activities and premium use accordingly.

At the same time, SPOs may wish to respond to customer demands and demonstrate alignment with the cocoa sector’s sustainability priorities including increased productivity, halting deforestation, eliminating child labour and increasing gender equality. Providing confidence that a proportion of Fairtrade premium will be spent on the previously mentioned priorities could lead to stronger commercial commitments and increased investments for SPOs. The key is to adopt an approach which enables SPOs to make informed decisions that take into account expectations from interested stakeholders.

Besides including more recommendations on premium use related to sustainability priority areas in training and guidance documents, our proposal is to encourage dialogue and mutual understanding between producers and buyers, by:

* *encouraging buyers to inform producers about the industry needs and priorities, as a voluntary best practice in the Cocoa Standard,*
* *encouraging producers to take premium use decisions in an informed way, taking into account industry needs and priorities, as a development requirement in the Cocoa Standard,*
* *encouraging both producers and buyers to engage in long-term partnerships involving mutual commitments (volume purchase commitments and agreements on priority areas for premium investment), as a voluntary best practice in the Cocoa Standard.*

|  |
| --- |
| **Q 3.1.1. Do you agree to encourage dialogue and mutual understanding between producers and buyers, as suggested above?** [ ]  yes [ ]  No [ ]  I am unsure**Please explain your rationale** Click here to enter text. |

1. Third Party Service Provision

One of Fairtrade’s key objectives is to empower farmers so they can overcome disadvantage and marginalization and take more control over their work and their lives. Considering Fairtrade’s empowerment objective, it is important that SPOs determine themselves the training and service delivery provided to their organization including directly to their members.

Third parties including traders can provide support services to Fairtrade SPOs in areas such as GAP, provision of agricultural inputs and new planting materials, or others. While these services can be of great value to SPO farmer members and staff, we need to ensure that they are implemented in a transparent way that does not affect the SPO’s independence and ability to determine the training and support delivered within their organizations including to their members

We propose the following to achieve this objective:

*Any services provided by third parties are agreed in advance in writing with SPOs. All terms and conditions, including fee should be agreed in writing in advance.*

*Guidance: The Fairtrade premium is due in full to the SPO, who can then decide via the processes specified in the SPO standard, to use the premium to pay for the service provision or use other financial resources.*

|  |
| --- |
| **Q 4.1.1. Do you agree that any services (training or other) provided by third parties should be agreed in advance in writing with the SPOs?**[ ]  yes [ ]  no [ ]  I am unsurePlease explain your rationale Click here to enter text. |

1. Trade requirements

A revised version of the Fairtrade Trader Standard was published in March 2015. The Fairtrade Cocoa Standard complements and defines more specific requirements or exceptions to the Trader Standard where necessary. The following questions present a subset of the revised rules established in the Trader Standard and the corresponding requirements in the Cocoa standard. They examine whether specifications are needed in the cocoa context.

* 1. Pre-finance

Currently, the Cocoa Standard requires the following:

*On request from the producer, the Fairtrade payer must make available up to 60% of the value of the contract as pre-finance to the producer at any time after signing the contract. The pre-finance must be made available at least six weeks prior to shipment, if requested.*

With the revision of the Trader Standard, the responsibility is now on the trader to offer pre-finance. But the amount and the timeframe for providing pre-finance remain as defined above.

|  |
| --- |
| **Q 5.1.1. Do you think that the amount and time-frame for pre-finance can remain as they currently stand in the above requirement?**[ ]  Yes [ ]  No, they need amendment [ ]  I am unsure**Please explain your rationale and suggestions for amendments if any:**Click here to enter text. |

* 1. Sourcing plans

The current Standard requires that:

*Sourcing plans must cover each harvest. Sourcing plans must be renewed a minimum of three months before they expire.*

The question here is whether this requirement is effective or not and how to make sure producers are better informed in advance about their sales prospects.

|  |
| --- |
| **Q 5.2.1. Do you think the existing requirement is effective and should remain as it is?**[ ]  Yes [ ]  No, it needs to be amended [ ]  I am unsure**Please explain your rationale and add suggestions for amendment if any:**Click here to enter text. |

* 1. Other trade requirements

|  |
| --- |
| **Q 5.3.1. Are there any further additional requirements, which you think should be added or amended in the Trader Standard or Cocoa Standard?****Please specify what and explain your rationale:** Click here to enter text. |

1. Mass balance

The main objective in the revision of the mass balance standard requirements is to achieve greater simplicity transparency and oversight of Fairtrade flow of goods.

* 1. Conversion ratios

**Conversion ratios alignment:** Fairtrade’s current conversion ratios are based on the physical reality of cocoa processing (meaning that with 1T of cocoa beans, approximately 400 kg of butter and 400 kg of powder can be sold, but not 800 kg of butter). However, these values are not currently aligned with other certification schemes nor with the soon to be published CEN/ISO Standard for Sustainable and Traceable Cocoa. This leads to complex calculations, confusion and difficulties in auditing. Therefore, for simplification and harmonization purposes, and to facilitate controls, we propose to align the Fairtrade conversion ratios with the ratios put forward in the draft CEN/ISO standard (ISO 34101-3), as follows:

Existing conversion ratios:

a) 100 kg of cocoa beans = **80** kg of cocoa liquor;

b) 80 kg of cocoa liquor = **37.6** kg of cocoa butter plus **42.4** kg of cocoa cake or cocoa powder.

Proposed conversion ratios:

a) 100 kg of cocoa beans = **82** kg of cocoa liquor;

b) 82 kg of cocoa liquor = **41** kg of cocoa butter plus **41** kg of cocoa cake or cocoa powder.

**Combined conversion ratios:** in addition to the ratios above the Fairtrade Standard currently defines a combined conversion ratio of 1.25, in case operators sell butter and powder to the ratio of 100:113 over a period of up to 12 months. However, in practice this option has rarely been used, as it is complex to implement. Also, if Fairtrade adopts the 50/50 butter/powder conversion ratio, the combined ratio would become irrelevant.

We therefore propose to delete the combined conversion ratio, and use only the ratios proposed above.

**Time limit:** The standard is silent on how long an operator can sell outputs (eg. butter or powder) as Fairtrade, after having purchased the input (eg. cocoa beans).

However, it makes sense to introduce a reasonable time limit to avoid operators selling Fairtrade equivalent volumes a long time after their purchase. In order to facilitate checks on mass balance and to safeguard against relevant future Fairtrade Standard changes we propose a 3 year time limit.

So the proposal is as follows:

|  |  |
| --- | --- |
| **EXISTING STANDARD** | **PROPOSAL** |
| **semi-processed product sold**  | **Fairtrade conversion ratios to bean equivalents**  | **semi-processed product sold**  | **Fairtrade conversion rates to bean equivalents** |
| **Liquor**  | 1.25  | **Liquor**  | 1.22 |
| **Butter only**  | 2.66  | **Butter,** **Powder,** **or both** | 2.44(for **either** butter or powder - the semi-processed product with the higher volume)1 |
| **Powder only**  | 2.36  |
| **Butter and powder**  | combined conversion ratio:1.25\* (for each product) |

 To find out how many beans a company needs to buy in order to sell x T of butter and/or y T of powder, the company must take the highest value of the x and y values and multiply it by the conversion ratio of 2.44.

This means that if a company wants to sell 1MT of Fairtrade butter, the company need to buy at least 2.44 MT of Fairtrade beans. With these 2.44 MT Fairtrade beans, the company will be able to sell up to 1 MT of Fairtrade butter and 1 MT of Fairtrade powder, within 3 years of purchasing the Fairtrade beans.

|  |
| --- |
| **Q 6.1.1. Do you agree with the above mentioned conversion ratios, and hereby aligning with the CEN/ISO ratios?**[ ] Yes [ ]  No [ ]  I am unsure**Please explain your rationale**Click here to enter text.**Q 6.1.2. Do you agree with the removal of the combined conversion ratio?**[ ]  Yes [ ]  No [ ]  I am unsure**Please explain your rationale**Click here to enter text.**Q 6.1.3. Do you agree with the 3-year time limit?**[ ]  Yes [ ]  No [ ]  I am unsure**Please explain your rationale**Click here to enter text. |

* 1. Like for like

For mass balance, the current standard requires that outputs sold as Fairtrade are of the same kind and quality as the inputs (like for like). It does not define what is meant by “same kind and quality” which currently leads to many questions. (Note that by output we mean beans, liquor, butter, powder and all semi-processed cocoa products).

The rules for like-for-like need to reflect a compromise between objectives of:

- equity in terms of applying mass balance between products of similar value,

- transparency on which region the premium is paid to,

but also

- flexibility to adapt the sourcing to meet specific demands.

- harmonization with the upcoming CEN/ISO standard (ISO 34101-3)

The proposed revised requirement is therefore that:

*You ensure that the Fairtrade inputs are of the same kind and quality as the inputs used to process the Fairtrade output. In the case of cocoa, “same kind and quality” means:*

* *same category (either standard cocoa or fine flavour cocoa),*
* *same organic / conventional status.*
* *same origin, meaning same region (Africa, Latin America, Asia)*

*The kind and quality (category, organic/conventional status, origin) of the input / output is determined by what is mentioned in the purchase / sales documentation.*

*Guidance: this means that* ***if*** *the* ***sale contract*** *of the cocoa sold as Fairtrade mentions a specific category / status or origin, then the equivalent Fairtrade cocoa volume must have the same specifications and this must be reflected in the* ***purchase documentation****.*

|  |
| --- |
| **Q 6.2.1. Do you agree that Fairtrade cocoa inputs should be :**1. **From the same category as the cocoa output sold as Fairtrade (standard or fine flavour)?**

[ ]  Yes [ ]  No [ ]  I am unsure1. **From the same conventional / organic status as the cocoa output sold as Fairtrade?**

[ ]  Yes [ ]  No [ ]  I am unsure1. **From the same origin as the cocoa output sold as Fairtrade?**

[ ]  Yes from the same country[ ]  Yes, from the same region (Africa, Asia, Latin America)[ ]  No, could be from anywhere**6.2.2. Do you agree that the certification body uses the information in the purchase / sales documentation to determine the kind and quality (category, organic/conventional status, origin) of the input / output?**[ ]  Yes [ ]  No [ ]  I am unsurePlease explain your rationale:Click here to enter text. |

* 1. B2B (Business to Business) transparency on mass balance

Companies buying Fairtrade cocoa products should be informed whether the ingredients they are purchasing actually come from Fairtrade producers (physical traceability /segregation), or whether an equivalent Fairtrade volume was purchased from Fairtrade producers (mass balance). Currently, this information is only available for physically traceable cocoa on the product itself.

We propose that:

*Each operator selling a Fairtrade cocoa product is required to indicate in the sales documentation whether it is segregated / physically traceable or mass balance.*

|  |
| --- |
| **Q 6.3.1. Do you agree that all Fairtrade sales documentation should indicate whether the product is physically traceable (segregated) or mass balance?**[ ]  Yes [ ]  No [ ]  I am unsure**Please explain your rationale**Click here to enter text. |

* 1. Group mass balance

Currently, the Trader Standard distinguishes between:

- Single site mass balance (SSMB): mixing and substitution of Fairtrade and non-Fairtrade cocoa within one site, and

- Group mass balance (GMB): mixing and substitution of Fairtrade and non-Fairtrade cocoa between different sites of a company[[6]](#footnote-6).

Group mass balance is permitted for Cocoa and for Sugar currently until the end of 2017.

Desktop research carried out by Standards & Pricing from September to December 2015 highlighted the need to continue GMB beyond 2017, to avoid a significant drop in the sales of Fairtrade cocoa and sugar. The study also showed that the GMB requirements need to be strengthened in order to ensure better oversight of transactions.

Please note that Fairtrade currently works on a clearer distinction between physically traceable products and mass balanced products in its branding approach with the aim to be more transparent especially to consumers. Results of this work will be available early in 2017.

Please note also that this consultation focuses on cocoa only. A separate consultation will take place on sugar over the next few months.

We therefore propose that:

*If a company wants to implement group mass balance, the company* ***needs to obtain permission from the*** *certification body* ***before*** *implementation. Any change in the sites involved in group mass balance also requires permission by the certification body.*

*The certification body will grant permission to apply group mass balance only if the following conditions are met:*

* *All sites involved in group mass balance belong to the same legal company.*
* *One site needs to be designated as the central administration site, where information on all purchases and sales of the entities of the group is available.*
* *The group has an adequate ERP system in place, common to all entities of the group, that centralizes all Fairtrade purchases and sales information, and enables checking that the volume of Fairtrade cocoa sold by the group is not more than the volume of Fairtrade cocoa input purchased by the group.*

*If any of the conditions above are not met anymore, the certification body has the right to withdraw the permission to trade under Group Mass Balance.*

|  |
| --- |
| **Q 6.4.1. Do you agree with the proposed conditions for allowing Group Mass Balance?**[ ]  Yes [ ]  No [ ]  I am unsure**Please explain your rationale** Click here to enter text.**Q 6.4.2. Given the conditions above, do you agree that the deadline for Group Mass Balance is removed and therefore GMB is allowed beyond 2017 without time limit?**[ ]  Yes [ ]  No [ ]  I am unsure**Please explain your rationale**Click here to enter text.  |

* 1. Sale of multi-certified cocoa

Currently, the Fairtrade Standards focus only on ensuring that Fairtrade sales correspond to Fairtrade purchases. However, given that several certification schemes are operating in cocoa producing countries, a number of producers are certified under more than one certification schemes. There is a risk that multi-certified volumes could be sold more than once under different certification schemes. This is not in-line with the intention of the current standard

We propose to tackle this risk as follows:

*If an operator purchases a certain volume of cocoa beans or semi-processed cocoa as “dual or multi-certified” (under Fairtrade as well as under one or more other certification scheme), and sells it under a certification scheme other than Fairtrade, then this operator cannot sell the same volume as Fairtrade certified cocoa.*

*Guidance: In order to check compliance with this requirement, an operator needs to provide to the auditor all documentation and aggregate figures of purchases and sales under all certification schemes.*

|  |
| --- |
| **Q 6.5.1. Do you agree with the proposed requirement above?**[ ]  Yes [ ]  No [ ]  I am unsure**Please explain your rationale** Click here to enter text. |

1. Stakeholders’ Comments/ General stakeholder feedback on the cocoa standard

In this section you are invited to comment on topics covered by this consultation document as well as on any other requirement of the existing Fairtrade Cocoa Standard here:

<http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/generic-standards/Cocoa_SPO_EN.pdf>

Please include the specific requirement number from the standard where applicable and standard section with your comments. We welcome alternative proposals, amendments for topics or any other suggestion with your rationale and analysis as detailed as possible so that we are able to understand and consider in the further process.

|  |  |
| --- | --- |
| **Topic/ requirement number** | **Comments/ feedback** |
| Click here to enter text. | Click here to enter text. |
| Click here to enter text. | Click here to enter text. |
| Click here to enter text. | Click here to enter text. |
| Click here to enter text. | Click here to enter text. |
| Click here to enter text. | Click here to enter text. |
| Click here to enter text. | Click here to enter text. |
| Click here to enter text. | Click here to enter text. |
| Click here to enter text. | Click here to enter text. |
| Click here to enter text. | Click here to enter text. |

If you need some more information before commenting on this document do not hesitate to contact Fabienne Yver, Project Manager at Fairtrade International, f.yver-external@fairtrade.net or Samantha Dormer, Global Cocoa Manager at Fairtrade Foundation UK, Samantha.dormer@fairtrade.org.uk.

1. Please note that this review is being conducted ahead of the SPO review. The Cocoa review will develop proposals specifically targeted at cocoa production and trade, and the SPO review will take up these proposals if relevant at a generic level and apply them to the other Fairtrade products, as appropriate. [↑](#footnote-ref-1)
2. Fairtrade has until now used the term ICS (Internal Control System) instead of IMS (Internal Management System). Both terms refer to a similar system but the term IMS implies a broader developmental approach which goes beyond compliance management for minimum requirements. [↑](#footnote-ref-2)
3. This can be someone who is already working for the organization, a new staff member can be recruited, or within smaller organizations, it can be one of the members. [↑](#footnote-ref-3)
4. Previous year’s harvest and Present year’s estimation [↑](#footnote-ref-4)
5. * Other support activities could include the provision of goods and services (e.g. farm inputs, financial services, etc) [↑](#footnote-ref-5)
6. For more information on mass balance and group mass balance, please consult the ISEAL Chain of Custody models and definitions, under the following link:

<http://www.isealalliance.org/sites/default/files/ISEAL_Chain_of_Custody_Models_Guidance_September_2016.pdf> [↑](#footnote-ref-6)